

TOURISM MARKET

Industry Sector Analysis [ISA]
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Country: Estonia

Industry: Services

Sector: Travel/Tourism Services

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SUMMARY

In 2000, 26 percent of the Estonian population traveled abroad during their 28 days of annual vacation, compared to only 2.5 percent in 1993. The average duration of tours was four days. The destination for outgoing visitors was mainly Finland and Sweden although interest in visiting Finland is decreasing.

More than 6,700 Estonians visited the United States in 2000, which is a 4 percent increase from 1999. The average Estonian visitor stays in U.S. for 9 days, spends approximately USD 1,100 when traveling to the U.S., 60 percent of which is spent on the airfare.

There are no direct flights from Estonia to the U.S., and hardly any competition between the airlines selling tickets to U.S. destinations. Consequently, the ticket prices remain high. Packaged travel deals at competitive prices are sold mainly through Scandinavian travel agencies.

Florida, California and New York continue to be the most popular destinations for Estonians in the U.S.

A. MARKET OVERVIEW

Estonia is located on the Baltic Sea, and shares land borders with Russia and Latvia. Finland lies to the north and Sweden to the west. Finland was the main partner in foreign tourism for Estonia. Starting from 1995, every year about 90 percent of foreign visitors served by Estonian tourism firms came from Finland. As a result of a more intense vessels traffic between the two countries in 1995, the number of one-day visitors from Finland has increased steeply.

Despite the extensive growth during the last few years, Estonia's tourism sector is still small by international standards. Nonetheless, Estonia has become a key tourism destination in the Baltic Sea region.

For the whole year of 2000, Estonia's tourism receipts (incl. fare receipts) amounted to EUR 709 million. In 1999, the respective figure was EUR 662 million. Tourism counts for 14 percent of the total exports of Estonian goods and services.

Airlines including SAS, Lufthansa, Lauda Air, Austrian Airlines and Finnair serve Tallinn with direct flights to many European cities, including Helsinki, Stockholm, Copenhagen, London, Hamburg, Frankfurt, Moscow, Kiev, Minsk, Warsaw, and also Riga and Vilnius.

Travel options to and from Estonia are well developed with Finland and Sweden and through them also with other northern countries. Transport links with other markets are still insufficient: road transport is both time-consuming and uncomfortable, air transport to the main European and U.S. destinations is expensive due to the lack of competition. As Estonia is located relatively far from main European tourism markets, a precondition for vital tourism is easy, fast, comfortable and favorably priced transport links with the target countries.

B. MARKET TRENDS

The Estonian tourism services market has undergone enormous changes since the

country regained independence in 1991. International travel used to be complicated and not accessible to the majority of the Estonian population. During the first years of independence passports were introduced, the national currency was strong, and people started to explore foreign countries. For a majority of Estonians the first foreign country to visit was Finland (still a favorite), followed by Sweden. The next step was to visit Western European countries and buy tour packages to Canary Islands, Cyprus and Turkey. Devaluation of the currency in Thailand made tour packages to that region very popular, especially after the long winters.

European cities remain the most popular travel destinations for Estonians, led by Latvia, France, Italy, Germany and Spain. Sixty five percent of the travellers are making low cost boat trips to Finland and Sweden. There is also a significant number of people visiting their relatives in CIS countries.

The U.S. is still a relatively new market for Estonian tourists. The main obstacle to rapid market growth is the high cost of the airfare from Tallinn to all the U.S. destinations. For example, a round trip Tallinn-Florida costs approximately USD 700 in comparison with Stockholm-Florida which might be purchased for as little as USD 250.

Top cities visited in the U.S.:

New York
San Francisco
Miami
Las Vegas
Washington

Source: Estonian Travel Agency's files

Estonians do not need a visa for traveling to most European countries but they do need one for the U.S.

It is interesting to analyze the distribution and concentration of the tourist market between travel agencies and tour operators. Some 11 travel agencies concentrating on domestic travel (12% of the total) handled 93 percent of incoming visitors, and 13 travel agencies concentrating on international travel (9% of the total number) sent 75 percent of tourists to abroad.

C. END-USER ANALYSIS

The typical Estonian tourist going to the U.S. is a young male (age 23-28) traveling with his friends. The younger generation has a good knowledge of English, higher level of education and is quite independent.

About 80 percent of the travelers to the U.S. have a combined business and tourist visa indicating that most of the people on business trip also want to take a vacation in the U.S. The cost of a visa (around USD 45), many stopovers in Europe and high price of the airfare might be some of the reasons why the U.S. is not considered a family vacation destination.

In the year 2000 Estonian tourists stayed abroad an average of 4 days. The average duration of a trip varied depending on the destination: in the United States 8.5, in Thailand 11, in Italy 8.3, in France 6.5, in Finland 2.5, in Sweden 2.7 and in Latvia 2 days.

SALES PROSPECTS

New York, California and Florida are the top choices in the U.S.- New York as the major gateway; Florida for the sun, beaches and Disney World; California also for the sun, the lifestyle, and as a gateway to the national parks region.

For both business and vacation travel, fly-and-drive remains the most popular way for Estonians to travel to and in the United States. After flying to a major city, tourists are likely to rent a car and drive to the next destination. Two of the most popular routes are New York-Miami and Las Vegas-Los Angeles-San Francisco. The major tourism attractions are locations that are recognized from American TV series broadcast in Estonia.

D. MARKET ACCESS

Estonia welcomes foreign investment. Estonia scores higher than any other country in Central and Eastern Europe on the Freedom House/Wall Street Journal "Index of Economic Freedom." The environment for foreign investment is excellent. Foreign firms enjoy the same rights as local businesses, foreigners have a right to own land, and there are no restrictions on capital flows and no import duties. The combination of low risk, low costs, low taxes and the most successful economic reform program in the region has attracted corporate investments from almost 100 countries. Today, approximately 50 fully or partially foreign owned companies operate in the tourism sector. The Estonian Government is determined to continue its free market policies, which have earned Estonia the reputation for having the most liberal trade and investment laws in Europe.

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ISA Customer Satisfaction Survey

U.S. Department of Commerce
International Trade Administration
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* * * About Our Service * * *

1. Country covered by report: _____

Industry/title: _____

Commerce domestic office that assisted you (if applicable):

2. How did you find out about the ISA service?

- ☐ Direct mail
- ☐ Recommended by another firm
- ☐ Recommended by Commerce staff
- ☐ Trade/state/private newsletter
- ☐ Department of Commerce newsletter
- ☐ Other (specify): _____

3. Please indicate the extent to which your objectives were satisfied:

- 1-Very satisfied
- 2-Satisfied
- 3-Neither satisfied nor dissatisfied
- 4-Dissatisfied

5- Very dissatisfied

6- Not applicable

☐ Overall objectives

☐ Accuracy of information

☐ Completeness of information

☐ Clarity of information

☐ Relevance of information

☐ Follow-up by Commerce representative

4. In your opinion, did using the ISA service facilitate any of the following?

☐ Decided to enter or increase presence in market

☐ Developed an export marketing plan

☐ Added to knowledge of country/industry

☐ Corroborated market data from other sources

☐ Decided to bypass or reduce presence in market

☐ Other (specify): _____

5. How likely would you be to use the ISA service again?

☐ Definitely would

☐ Probably would

☐ Unsure

☐ Probably would not

☐ Definitely would not

6. Comments:

* * * About Your Firm * * *

1. Number of employees: ☐ 1-99 ☐ 100-249 ☐ 250-499

☐ 500-999 ☐ 1,000+

2. Location (abbreviation of your state only): _____

3. Business activity (check one):

☐ Manufacturing

☐ Service

☐ Agent, broker, manufacturer's representative

☐ Export management or trading company

☐ Other (specify): _____

4. Value of export shipments over the past 12 months:

☐ Less than \$10K
☐ \$11K-\$100K
☐ \$101K-\$500K
☐ \$501K-\$999K
☐ \$1M-\$5M
☐ More than \$5M

May we call you about your experience with the ISA service?

Contact name: _____

Phone: _____

Fax number: _____

Email: _____

Thank you--we value your input!

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